

Message Text

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SUBJECT: NEW PRICE CONTROLS ANNOUNCED FOR CEREALS, OIL SEEDS AND
PULSES

1. THE EPMG, THROUGH THE MINISTRY OF COMMERCE, INDUSTRY AND TOURISM, HAS ANNOUNCED A NEW SET OF PRICE CONTROLS FOR CEREALS, OIL SEEDS AND PULSES. THESE CONTROLS WENT INTO EFFECT ON JULY 18 AND WILL BE VALID ONLY DURING THE RAINY SEASON (TO ABOUT MID-SEPTEMBER). THE PRICE CONTROLS APPLY TO PRICES FOR TRANSACTIONS FROM FARMERS TO WHOLESALERS, WHOLESALERS TO RETAILERS, AND RETAILERS TO CONSUMERS. ACCORDING TO THE NOTICE, THE PURPOSE OF THIS ACTION IS TO STABILIZE THE MARKET DURING A CRITICAL PERIOD; FARMERS HAVE TO BUY SEED FOR THE PLANTING SEASON AND CONSUMERS SHOULD BE ABLE TO BUY FOOD AT REASONABLE PRICES DURING THE RAINY SEASON. THE MINISTRY CARRIED OUT A SURVEY OF STOCKS IN THE ADDIS ABABA AREA AND FOUND THAT ADEQUATE STOCKS ARE AVAILABLE AND IN ORDER TO FACILITATE MARKETING FOUR NEW MARKETS IN VARIOUS AREAS OF THE CITY ARE BEING ESTABLISHED. MERCHANTS ARE STERNLY ABMONISHED TO COOPERATE WITH THE GOVERNMENT IN ACHIEVING THE SUCCESSFUL IMPLEMENTATION OF THE PRICE CONTROL PROGRAM.

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2. COMMENT. THE PRICE LEVELS SET, ALTHOUGH SOMEWHAT LOWER THAN AVERAGE FOR THIS TIME OF YEAR, APPEAR TO BE FAIRLY REASONABLE. THEY SHOULD NOT, IN THEMSELVES, SUBSTANTIALLY CRUTAIL TRADE; THERE IS, HOWEVER, SOME EVIDENCE ALREADY OF TRADER RESISTANCE TO THE PRICE LEVELS SET. OTHER FACTORS ARE ALSO INFLUENCING THE SUPPLY-DEMAND SITUATION. THE GENERAL UNCERTAINITY REGARDING FUTURE AVAILABLILTIES OF FOOD GRAINS HAS CAUSED SOME FAMILIES TO INCREASE THEIR PURCHASES DURING THE PAST THREE MONTHS. TRADERS CLAIM THAT SOME CUSTOMERS HAVE BEEN BUYING UP TO 4-6 MONTHS' SUPPLY FOR THEIR PERSONAL USE. NORMAL TRANSPORTATION DIFFICULTIES ASSOCIATED WITH THE RAINY SEASON HAVE BEEN AGGRAVATED THIS YEAR BY THE FUEL SHORTAGE, ALTHOUGH IT IS NOT CLEAR TO WHAT EXTENT. FARMERS MAY BE OFFERING LESS FOOD GRAINS THIS YEAR BECAUSE THE LAND REFORM PROGRAM AS WELL AS THE ZIMETCHA HAVE ENCOURAGED PEASANTS IN SOME AREAS TO THE COUNTRY TO WITHHOLD THEIR PRODUCE FROM LAST YEAR'S CROP FROM LANDLORDS AND THE MARKET. THE GRAIN CORPORATION IS ALSO PURCHASING IN THE COUNTRYSIDE AND HAS THUS FAR ACQUIRED APPROXIMATELY 65,000 TONS OF CEREALS. OWING TO THESE FACTORS THE QUANTITIES OF FOOD GRAINS COMING INTO THE ADDIS MARKET ARE CONSIDERABLY LESS THAN HAS HISTORICALLY BEEN THE CASE FOR THIS TIME OF THE FYEAR AND SCARCITIES OF SOME HIGHER GRADES OF TEFF AND WHEAT ARE APPEARING. AS ADDIS MIGHT CONCEIVABLY FACE REAL SHORTAGES BEFORE THE NEXT CROP STARTS TO COME IN (OCTOBER), THE EMBASSY AND USAID ARE WORKING ON A SUPPLY AND DEMAND STUDY FOR THE NEXT THREE-MONTH PERIOD IN AN ATTEMPT TO DETERMINE THE LIKELIHOOD OF SHUCH A SHORGATE DEVELOPING. GIVEN THE RESERVES HELD BY THE GRAIN CORPORATION, HOWEVER, AND THE REPORTEDLY GOOD OUTTURN FROM LAST YEAR'S CROP, PLUS THE SPRING 1975 SHORT-SEASON HARVEST, A CEREAL SHORTAGE BETWEEN NOW AND THE NEXT MAJOR HARVEST IN NOVEMBER-JANUARY SEEMS UNLIKELY.

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